

Message Text

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ACTION EUR-12

INFO OCT-01 EB-08 EA-07 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 DOTE-00
FMC-01 SAL-01 CG-00 DLOS-06 /115 W
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R 031520Z MAR 77
FM AMEMBASSY OSLO
TO SECSTATE WASHDC 3324
INFO AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
USEC BRUSSELS
US OECD PARIS

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E.O. 11652: N/A
TAGS: EWWT, NO
SUBJECT: NORWEGIAN DEMARCHE ON U.S. OIL CARGO PREFERENCE LEG-
ISLATION

1. DIRECTOR GENERAL FOR ECONOMIC AFFAIRS IN FOREIGN MINISTRY
TORE BOGH CALLED IN E/C COUNSELOR ON MARCH 3 TO DISCUSS THE OIL
CARGO PREFERENCE BILL INTRODUCED IN CONGRESS BY CONGRESSMAN
MURPHY. BOGH SAID THAT FOREIGN MINISTRY WISHED TO COORDINATE
ITS DEMARCHE WITH A SIMILAR APPROACH BEING MADE THIS WEEK IN
WASHINGTON IN CONCERT WITH OTHER MAJOR WESTERN SHIPPING
COUNTRIES BY NORWAY'S AMBASSADOR. BOGH SAID FOREIGN MINISTER
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WOULD BE PURSUING MATTER FURTHER WITH AMBASSADOR ANDERS.

2. BOGH MADE FOLLOWING POINTS:
(A) THE ARGUMENT THAT THE CARGO PREFERENCE LAW WAS QUOTE GOOD FOR
THE U.S. UNQUOTE WAS ECONOMICALLY DOUBTFUL. THE CARGO PRE-
FERENCE LAW WOULD INEVITABLY RESULT IN HIGHER SHIPPING COSTS
AND CREATE INFLATIONARY PRESSURE.

(B) NORWAY CONSIDERED ITS MERCHANT FLEET ONE OF ITS MAJOR CONTRIBUTIONS TO NATO. NORWEGIAN AND OTHER NATO FLAG VESSELS WERE JUST AS SECURE AS U.S. VESSELS AND WERE AVAILABLE TO THE U.S. IN AN EMERGENCY.

(C) OIL CARGO PREFERENCES WOULD RUN COUNTER TO U.S. INTERNATIONAL COMMITMENTS AND AGREEMENTS, INCLUDING THE GATT AND THE OECD PLEDGE TO REFRAIN FROM PROTECTIONIST MEASURES.

(D) A U.S. PROTECTIONIST SHIPPING BILL PASSED EARLY IN THE CARTER ADMINISTRATION WOULD SET AN UNFORTUNATE EXAMPLE FOR THE ADOPTION OF SIMILAR PROTECTIONIST MEASURES BY OTHERS IN THE FIELDS OF SHIPPING AND TRADE. THE TRADE IMPLICATIONS WOULD BE PARTICULARLY HARMFUL FOR THE ONGOING MULTILATERAL TRADE NEGOTIATIONS IN GENEVA.

(E) OPEC OIL PRODUCERS WERE LIKELY TO SEIZE UPON A U.S. PREFERENCE TO CREATE PREFERENCES OF THEIR OWN AND TO BUILD UP THEIR TANKER FLEETS TO THE DETRIMENT TO THE TANKER FLEETS OF NATO MEMBERS.

(F) CONSTRUCTION OF NEW U.S. FLAG TANKERS WOULD BE NECESSARY TO CARRY 30 PERCENT OF U.S. OIL IMPORTS IN U.S. FLAG VESSELS. THIS WOULD PROLONG EXISTING WORLD TANKER TONNAGE OVERCAPACITY WHICH WAS NOW EXPECTED TO LAST INTO THE EARLY 1980S AND WHICH HAD CAUSED LAY UP OF BETWEEN 30 PERCENT AND 45 PERCENT OF NORWEGIAN TANKER FLEET FOR LAST TWO YEARS.

(G) THE CARGO PREFERENCES WOULD FALL MOST HEAVILY ON INDEPENDENT CARRIERS SUCH AS THOSE UNDER THE NORWEGIAN FLAG BECAUSE U.S. OIL COMPANIES WOULD GIVE PREFERENCE TO U.S. FLAG VESSELS AND THEIR OWN VESSELS UNDER FLAGS OF CONVENIENCE BEFORE USING INDEPENDENTS.

(H) THE ARGUMENT THAT THE PREFERENCES WOULD PROMOTE U.S. SHIPPING SAFETY AND ENVIRONMENTAL INTERESTS WAS QUESTIONABLE. LIMITED OFFICIAL USE

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THERE WERE OTHER BETTER AND MORE DIRECT WAYS OF DOING THIS WHICH AVOIDED PREFERENCES AND DISCRIMINATION. IN ADDITION, IT WOULD TAKE SOME TIME TO BUILD A MODERN U.S. TANKER FLEET OF SUFFICIENT SIZE TO CARRY 30 PERCENT OF U.S. OIL IMPORTS. MEANWHILE, OLDER, LESS-SAFE U.S. FLAG VESSELS WERE LIKELY TO BE PRESSED INTO SERVICE. EVEN AFTER A MODERN U.S. TANKER FLEET WAS CREATED, 70 PERCENT OF IMPORTS COULD STILL BE CARRIED BY FOREIGN FLAG VESSELS.

3. BOGH STRESSED THE HARMFUL EFFECT A U.S. OIL CARGO PREFERENCE BILL WOULD HAVE ON BILATERAL U.S./NORWEGIAN RELATIONS, ESPECIALLY DURING THE CURRENT RECESSION IN TANKER SHIPPING. THIS RECESSION HAD FALLEN MOST HEAVILY UPON NORWAY'S INDEPENDENT TANKER FLEET. SHIPPING, HE SAID, IS STILL THE MOST IMPORTANT INDUSTRY IN NORWAY, AND IT IS CURRENT GOVERNMENT POLICY TO MAINTAIN NORWAY AS A MAJOR MARITIME NATION. TANKERS MAKE UP HALF THE NORWEGIAN MERCHANT FLEET, AND BETWEEN 15 PERCENT AND 20 PERCENT OF NORWAY'S TANKER TONNAGE IS ENGAGED IN THE TRANSPORT OF OIL TO THE UNITED STATES WHICH IS BY FAR NORWAY'S

MOST IMPORTANT MARKET FOR SHIPPING AND, ESPECIALLY, CARRIAGE OF OIL. PASSAGE BY THE UNITED STATES AT THIS TIME OF AN OIL CARGO PREFERENCE BILL WOULD, BOGH SAID, RESULT IN AN OUTCRY IN NORWAY WHICH WOULD HAVE A SEVERE ACROSS THE BOARD IMPACT ON U.S./NORWEGIAN RELATIONS.

4. COMMENT: EMBASSY SHARES BOGH'S CONCERN OVER ADVERSE CONSEQUENCES FOR U.S./NORWEGIAN RELATIONS OF PASSAGE OF A U.S. OIL CARGO PREFERENCE BILL. SHIPPING IS A TRADITIONAL NORWEGIAN OCCUPATION WHICH ENJOYS THE SUPPORT OF VIRTUALLY ALL POLITICAL PARTIES. IT HAS BEEN THE FOUNDATION OF NORWAY'S INDUSTRIALIZATION AND GROWTH FOLLOWING WORLD WAR II. ALTHOUGH FAR MORE IMPORTANT ECONOMICALLY, ITS POLITICAL POSITION IS PERHAPS MOST COMPARABLE TO THAT OF FARMING IN WESTERN EUROPEAN COUNTRIES SUCH AS FRANCE AND WEST GERMANY. ALTHOUGH OIL IS EXPECTED SHORTLY TO TAKE OVER SHIPPING'S PREMIER PLACE IN THE NORWEGIAN ECONOMY WHILE AT THE SAME TIME MAKING NORWAY RICHER AND LIMITED OFFICIAL USE

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ENHANCING ITS INTERNATIONAL IMPORTANCE, OIL IS NEW TO NORWAY AND ITS DEVELOPMENT DOES NOT ENJOY THE SAME POLITICAL SUPPORT AS SHIPPING. EVEN AT THIS EARLY STAGE, THE POSSIBILITY OF PASSAGE OF AN OIL CARGO PREFERENCE BILL HAS EVOKED CONCERN AND HEADLINES IN THE NORWEGIAN PRESS.
ANDERS

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